

VZCZCXRO3869

RR RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA  
RUEHLN RUEHLZ RUEHNP RUEHPOD RUEHROV RUEHRS RUEHSL RUEHSR RUEHVK  
RUEHYG  
DE RUEHFR #0898 1821518  
ZNR UUUUU ZZH  
R 011518Z JUL 09  
FM AMEMBASSY PARIS  
TO RUEHC/SECSTATE WASHDC 6623  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RHEHAAA/WHITE HOUSE WASHDC  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

UNCLAS PARIS 000898

WHITE HOUSE PASS USTR

SENSITIVE  
SIPDIS

E.O. 12958: N/A

TAGS: [EINV](#) [ENRG](#) [ECON](#) [ETRD](#) [EIND](#) [PREL](#) [FR](#)  
SUBJECT: BUY AMERICAN BLOCKS BELL LABS

REF: STATE 15625

¶1. (SBU) Alcatel-Lucent Board Chairman Philippe Camus told EMIN recently that Alcatel-Lucent and its Bell Labs research subsidiary had been blocked by from submitting proposals to be funded under the American Reinvestment and Recovery Act by the new Advanced Research Projects Agency - Energy. We expressed some surprise in light of the assurances we have provided over recent months on the limitations on the Buy American provisions. However, further investigation confirms the extremely limited eligibility of foreign owned companies to participate in this USD 150 million in initial funding for transformational energy technologies.

¶2. (U) DOE Funding Opportunity Announcement DE-FOA-0000065 requires that "...foreign entities (entities that are directly or indirectly owned or controlled by a foreign company or government) may only participate as part of a collaboration, consortium, or other teaming arrangement, and may not lead the team. A minimum of 90% of the work, as defined by total project costs, must be performed on U.S. soil, which includes the United States proper and its territories.....If a foreign entity participates in the proposed R&D project, no more than 25 percent of the ARPA-E funds may be expended by the combination of all foreign entities on the project (excluding equipment that is not available in the United States). This restriction applies to the combined performance of the foreign entities, regardless of whether the work is performed in the United States or a foreign location.

¶3. (U) This provision effectively eliminates Alcatel-Lucent, including Bell Labs, from seeking ARPA-E funds. Alcatel-Lucent was formed by the 2006 merger of Alcatel and Lucent Technologies. While the merged entity has the majority of its employees in the U.S. and does the largest portion of its there, it is headquartered in France and is deemed to be a foreign entity per para 2 above.

¶4. (U) Alcatel-Lucent Chairman Camus and other senior officials also point out that the Buy American provisions of numerous other ARRA programs severely constrain the availability of these funds for key investments in information and communications technology due to the very high foreign content of most ICT hardware. While the domestic labor portion of technology infrastructure investment is this largest cost in these programs, little of the hardware needed is of U.S. origin, even that which is manufactured and sold by American companies.

¶5. (U) In addition to our conversations with Alcatel-Lucent, we are following fairly extensive coverage of the Buy American issue in the French business press. Much of that coverage is centered on the U.S. Canada economic relationship, but the press has also picked up on the ICT issues and the impact on French companies in the United States.

¶6. (SBU) Embassy recommends that Washington agencies review application of Buy American provisions to key federally-funded programs to ensure that application of these rules is not more stringent than legislatively necessary. On the face of it, the ARPA-E restrictions on foreign entities appear to contradict our long-established position on national treatment. Reftel guidance from February predated implementation of most ARRA funded programs. Embassy further requests updated guidance on the application of Buy American provisions in practice and USG intentions regarding managing application of these provisions.

PEKALA